

Special Taxation of Ground-Rents:

How would it affect the Working Classes?

Nothing can be more absurd than to pretend that the Special Taxation of ground-rents would be a benefit to the working classes. Labourers and artisans usually hold on weekly tenancies. Only a very small minority of the inhabitants of London, for instance, occupy leasehold houses of their own. The vast majority of the working classes live either in houses not their own or in lodgings, and would gain nothing whatever by the proposed taxation. The only people who would gain would be the large leaseholders who are the landlords of the houses in which working men live. The Honorary Secretary of the Land Nationalisation Society writes:—

“The leaseholder will intercept the tax while he has the power to do so. He cannot be deprived of this power so long as the demand for shelter within the metropolis continues to increase. For my part, I don't see the fun of taxing the Duke of Westminster simply to put money into the pockets of the trustees of the Cubitt Estate in Pimlico, or taxing the Marquess of Salisbury to enrich the leaseholders of his slum property.” (*Star*, November 5th, 1888.) In other words, **all the advantage would go to the capitalists who take building leases from the landowners, and, while the landowners would be robbed, the working classes would not be one penny the richer. The whole profit would go to the middleman.**

On the other hand, the Special Taxation of ground-rents would **seriously injure many small investors** in all ranks of Society. Ground-rents exist in all parts of London and in the suburbs in amounts varying from a few pounds a year upwards, and they are the favourite investments of persons of moderate means who prefer security of income to high interest. Trustees, retired professional men and tradesmen, widows and spinsters, Fire and Life Insurance Companies of all kinds, **Benefit Societies and other Companies in which the hard-earned savings of the working classes are invested**, and, in fact, all persons and corporations who require well-secured and fixed incomes, form the

bulk of investors in ground-rents. To subject them to direct taxation would not only forcibly deprive the owners of the very advantage for which they have been content to take a low interest, but would also reduce their capital by a large sum. An actual instance may be mentioned which is typical of many thousands of cases. A professional man, with several unmarried daughters, lately provided for them by investing the whole savings of a life's hard work in the purchase of ground-rents. The passing of a measure for the special taxation of ground-rents would deprive them of a quarter or more of their incomes. Why should such a grievous injustice be done?

Such a change in the law would also **cripple many Public Institutions which are now doing good work in education and in other ways.** Mr. Mathews, one of the witnesses before the Select Committee of the House of Commons on Town Holdings, gave as an instance the case of King Edward's School at Birmingham. He said:—

“ Our income from ground-rents is £27,000 a year. Suppose the “ £27,000 is rated (the rates in Birmingham are 6s. 8d. in the pound) “ we should lose £9,000 a year, or one-third of £27,000. That at “ 25 years' purchase would be £225,000. If our ground-rents were “ to be rated, a portion of the school property equivalent to nearly a “ quarter of a million would be confiscated at one stroke.”

Moreover, there can be no doubt that the Special Taxation of ground-rents would raise rents. Purchasers of ground-rents would have increased trouble and cost in collecting their income, and their income would no longer be a fixed and certain sum. The small investors and trustees who are at present willing to take a low rate of interest in order to obtain a fixed income would be deterred from this form of investment, and ground-rents would have to be sold to investors and speculators who might be willing to purchase an uncertain income, but would require much higher interest on their capital. **Cheap or trust money would thus be driven out of investment in house property, and rents would be considerably raised.**